

Direct delivery: delivery without intermediate storage straight to the recipient

Direct delivery describes the logistics variant in which a supplier does not deliver the goods to the buyer's warehouse or plant, but directly to the end recipient designated by the buyer, such as a factory, assembly site or construction site. Commercially, the buyer remains the contracting party and controls quantities, dates and documentation through their procurement process. Direct delivery reduces handling, tied-up capital and lead times, but requires particularly clean coordination of master data, delivery dates and invoicing. In practice, it is mainly used for high-volume components, customer-specific products and regionally distributed receiving points.

Key facts

- In direct delivery, the supplier delivers directly to the end recipient without the buyer physically handling the goods.
- Commercially, the purchase order, invoice and quality responsibility remain with the buyer.
- Typical use cases are customer-specific manufactured parts, large volumes and distributed sites.
- The foundation is precise master data, binding delivery dates and a coordinated invoice approval workflow.
- Success measures include, among others, delivery reliability at the receiving point, item identity and invoice quality.

Definition: direct delivery

Direct delivery is a form of delivery in which the supplier ships directly to the receiving point designated by the buyer, without the buyer intermediate-storing or transshipping the goods. The buyer continues to act as the contractual and invoicing partner but forgoes physical receipt of goods in their own plant.

Distinction from the pipeline business function

In classic trading business in the form of pipeline business or drop shipping, the retailer ships the purchaser's goods in the name of the supplier; in industrial direct delivery, a company places orders for its own sites or project locations and assigns the goods to the supplier. The direction is therefore not customer-oriented but procurement-oriented. The procurement process, material master data maintenance and inventory responsibility remain entirely with the buyer.

Typical use scenarios

Direct delivery is frequently worthwhile for large, heavy or sensitive goods such as steel beams, containers or customer-specific assemblies, where additional handling would create cost and quality risks. It is equally common in project-based manufacturing, at assembly sites without their own warehouse, or where several plants call off the same material group from a central contract.

Methods and approach in direct delivery

A successful direct delivery process begins long before dispatch. It determines suitability, defines the logistical and commercial framework conditions and anchors them in contracts and master data.

Assess material groups and determine suitability

The starting point is an assessment of which material groups are suitable for direct delivery. Criteria are value, volume, one-off character, transport sensitivity and the number of receiving points. An ABC analysis helps to identify A-parts with high value and a clear demand signal for direct delivery, while C-parts are often better handled via a central supplier warehouse with kanban-style call-off.

Contractual and logistical anchoring

The supply contract or frame agreement specifies receiving locations, delivery times, packaging requirements, documentation requirements and procedures in the event of quantity or date deviations. For transport beyond road haulage, such as special transports or dangerous goods, additional provisions such as ADR-relevant classification and transport documentation must be taken into account. A service level agreement (SLA) defines measurable requirements for on-time delivery, reporting and escalation routes.

Process and system anchoring

In the ERP system, the receiving points are maintained as separate delivery addresses, the materials with correct lead times and the purchase orders with a direct-delivery indicator. The invoice approval workflow must reflect the situation in which goods receipt does not take place at the buyer; here, plant confirmations, digital delivery notes or confirmed shipment notifications supplement the classic three-way check. Before selecting new partners, supplier onboarding checks whether the supplier meets the requirements for address maintenance, communication and documentation.

Important KPIs for controlling direct delivery

Direct delivery is only efficient if it is managed measurably. It needs its own indicators that reflect the special feature of the missing goods receipt at the buyer.

Schedule adherence and response speed

Key metrics are delivery reliability at the receiving point, i.e. the proportion of shipments arriving on the agreed day and in the agreed quantity, as well as the requisition-to-PO lead time, i.e. the time from requisition to purchase order. For customer-specific projects, the lead time from call-off to ready for dispatch and the on-time delivery of partial quantities are also meaningful.

Quality and documentation quality

Item identity, completeness of delivery notes and invoice quality must be recorded directly at the receiving point. Frequently, error-free shipments are measured per shipment, supplemented by the rate of complaints requiring replacement delivery. Routine supplier certificates and upstream document checks make deviations recognisable at an early stage.

Cost and process transparency

The cost impact is also measured: saved handling and warehousing costs are set against the additional costs for transport coordination, documentation and quality assurance at the receiving point. The spend

cube can be used to analyse which material groups, suppliers and plants run how heavily via direct delivery, and whether the volume can be economically justified.

Risks and controls in direct delivery

Because the buyer does not physically hold the goods, a typical control paradox arises: more delegation requires more structure. The most important risks and countermeasures at a glance.

Visibility and master data risks

Without an in-house goods receipt, there is a risk that incorrect deliveries, quantity deviations or damage are only discovered late. Remedy is provided by clear responsibilities, such as a named data owner per material group and site, as well as binding rules for maintaining delivery addresses and material master data. Robust risk management additionally assesses the dependency on the individual A-supplier and keeps alternative sources or alternative routes available.

Quality and liability issues

Quality responsibility remains with the buyer, even when the goods go directly to the receiving point. For critical parts, goods receipt inspections at the receiving point, defined inspection scopes or an audit right at the supplier should be agreed. In the event of damage, loss or incorrect delivery, the contractual agreement determines who organises and bears the return, transfer or replacement procurement.

Financial and commercial control

Because goods receipt and invoice do not take place at the same location, invoice checks are particularly error-prone. Remedy is provided by shipment confirmations as a goods-receipt substitute, a clear invoice approval workflow and clear deadlines. If direct delivery is combined with instruments such as dynamic early payment discount or reverse factoring, it must be ensured that payment incentives and delivery confirmations are synchronised; service credits (SLA) act as a contractual correction in the event of SLA breaches.

Current developments in direct delivery

Direct delivery is changing with the digitalisation of supply chains, rising sustainability requirements and new regulatory obligations. Three developments shape practice.

Digitalisation of delivery communication

Digital dispatch notifications, electronic delivery notes and integrated status information make shipments more transparent. In interplay with S&OE (Sales and Operations Execution), short-term deviations in day-to-day business can be identified and exchanged for corrective interventions. Tendering processes also benefit: standardised bid evaluation stages make it possible to assess the capability for direct delivery already during selection.

Sustainability and regulatory evidence

Direct delivery reduces transshipment and intermediate storage, which can have a positive effect on the Product Carbon Footprint (PCF) of individual products. At the same time, requirements for evidence along the supply chain are growing, for example through supply chain due diligence legislation and sustainability requirements from the buyer side. Questions about recycled content ratios and origin evidence of the materials used are also raised directly with the supplier who delivers the goods to the

receiving point.

Standardisation and documentation

Procedures such as pre-formatted shipment notifications, standardised delivery note formats and uniform quality evidence reduce the effort for document checks. Routine supplier certificate processes ensure repeatability; anyone agreeing RTO services (Return to Origin) for returns avoids disputes over scrap or incorrect deliveries. Regular supplier evaluations are also increasingly fed directly from receiving-point data.

Direct delivery in interplay with other procurement disciplines

Direct delivery is not an isolated logistics topic. It connects procurement strategy, quality management, finance and supplier management in an execution process that only works if all parties use the same data and rules.

Procurement strategy and supplier structure

The decision for or against direct delivery is part of the procurement strategy. It influences warehouse locations, transport design and the question of which A-suppliers are used for which material groups. In strategic tenders, the capability for direct delivery is a selection criterion that is included in bid evaluation alongside price and technology.

Quality, certification and rights

Without an in-house goods receipt, the importance of contractual safeguards increases. Audit rights at the supplier, defined inspection protocols at the receiving point and valid certificates supplement the classic goods receipt inspection. These instruments fall within the remit of quality management but should be anchored in the procurement process from the outset.

Cash flow and payment terms

Direct delivery shifts not only goods flows but also the payment flow. Invoices continue to run via the buyer while the goods are passed on directly; this can influence liquidity planning. Instruments such as dynamic early payment discount or reverse factoring can also be used here, but must be coordinated with the confirmed shipment data.

Typical metrics

Delivery reliability at the receiving point: > 95%

Proportion of shipments arriving on the agreed day and in the agreed quantity

Item identity: > 99%

Proportion of shipments without incorrect item lines

Invoice quality: > 97%

Proportion of invoices without queries or corrections

Requisition-to-PO lead time: < 3 days

Time from purchase requisition to purchase order for standard parts

Complaint rate at the receiving point: < 1%

Proportion of shipments with a notification at the receiving point

Practical example

A medium-sized mechanical engineering company supplies several plants via central frame agreements, but also customer-specific assemblies that are to go directly to the end customer's factory. To date, every part has been transhipped via the central plant, generating cost, time and risk. The procurement function introduces direct delivery for one material group.

- Definition of receiving points, delivery windows and documentation requirements per plant in the frame agreement.
- Introduction of a mandatory digital proof of dispatch as the basis of the invoice approval workflow.
- Assessment of supplier capability for direct delivery already in the bid evaluation stages.
- Inspection protocol at the receiving point plus audit right to detect errors without an in-house goods receipt.

Conclusion

Direct delivery is an effective tool for reducing handling costs, lead times and tied-up capital. However, it is not a sure-fire success: whoever does not handle the goods themselves needs all the better master data, binding delivery coordination and controllable processes. Direct delivery succeeds when logistics, procurement strategy, quality and cash flow are designed together from the outset. Those who additionally measure KPIs at the receiving point and hold suppliers accountable retain control even when delegating.

Frequently asked questions

What does direct delivery mean in procurement?

Direct delivery (Direktbelieferung) means that the supplier does not deliver the ordered goods to the buyer's warehouse or plant, but directly to a receiving point designated by the buyer, such as a factory, construction site or an end-customer plant. Commercially, the buyer remains the contracting party, meaning that the purchase order, invoice and quality responsibility remain with them. The buyer merely forgoes the physical receipt of goods.

When is direct delivery worthwhile?

Direct delivery is particularly worthwhile for large or heavy products, for customer-specific manufactured parts, for multiple distributed receiving points, or when additional handling would create quality risks. It is also frequently economical for high-value items and plannable demand, for example in project-based manufacturing. Small, standardised parts, by contrast, are often better handled via a central warehouse.

What is the difference between direct delivery and pipeline business?

In pipeline business (Streckengeschäft) or drop shipping, a retailer ships the goods in the name of the supplier to the end customer; the sales process is customer-oriented. In direct delivery, a company places orders for its own sites or project locations and assigns the goods to the supplier. The procurement process, material master data maintenance and responsibility remain entirely with the buyer.

Who is liable for damage in direct delivery?

Liability is governed by the agreed contractual and delivery terms; in principle, the supplier remains responsible for proper delivery and packaging. The buyer bears overall responsibility towards the

recipient and should therefore agree clear rules on returns, inspection obligations and replacement deliveries. For critical parts, inspections at the receiving point or an audit right at the supplier are sensible.

How is an invoice checked in direct delivery?

Because no classic goods receipt takes place at the buyer, a goods-receipt substitute is used: shipment confirmations, digital delivery notes or plant confirmations from the receiving point. These data feed into the invoice approval workflow and, together with the purchase order, trigger the check. Clear references to the purchase order number and shipment are important to avoid duplicate invoicing.

Which KPIs are important in direct delivery?

Key metrics are delivery reliability at the receiving point, i.e. on-time and in-full delivery of shipments, as well as item identity and invoice quality. In addition, the lead time from requisition to purchase order, the lead time from call-off to ready for dispatch, and the complaint rate are relevant. In terms of cost, the saved handling and warehousing costs are weighed against the additional costs for coordination and documentation.